



CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION

MARKET FOR VILLAGE FARMERS PROJECT

Sub – Component 2.2 Financial Inclusion

3rd Quarter 2023 Progressive update

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Brief Executive Summary

This is the 3rd Quarter progressive update report that has been put together for the purpose of updating IFAD/MVF PMU. The report reports on the implementation of CEFI's sub-Component 2.2. – Financial Inclusion under ***Component 2 Supportive Value Chain Investments***. The report will report on CEFI's activities for the period **July to September 2023**.

The progressive update by CEFI will fall under two (2) main focus areas of the Sub-Component 2.2 Financial Inclusion. These are;

1) Village Farmers Livelihood Improvement Training

For this area CEFI will be responsible for the following;

- a) Development of the Training Material
- b) Conduct of ToT Trainings for the CEFI selected Training Partners
- c) Provide Mentoring and Coaching Support

CEFI has also contracted training partners in WHP, Jiwaka and Simbu Provinces to be responsible for rolling out the retail training to the selected farming households in these provinces. These training partners are as follows;

- a) Peoples' Action for Rural Development (PARAD) – WHP
- b) Cliffy Contractors – Jiwaka Province
- c) Ambumangre Microcredit Scheme – Simbu

2) Engagement of Financial Institutions

In this area CEFI has contracted Agriculture Finance Consultants (AFC) of Germany to be responsible for this component. As per the Project Design Document CEFI through AFC will be required to recruit about eight (8) financial institutions to roll-out innovative agriculture products and services to the farming households throughout the six (6) identified provinces.

The report also provides a summary of CEFI's MVF Financial transaction for 3rd Quarter herein marked as ANNEX 1.

The report will end with a set of recommendations or wayforward

Acronyms & Abbreviation

AFC	Agriculture Finance Corporation
BPNG	Bank of Papua New Guinea
CEFI	Centre for Excellence in Financial Inclusion
EHP	Eastern Highlands Province
FPDA	Fresh Produce Development Agency
IFAD	International Fund for Agriculture Development
MOU	Memorandum of Understanding
MVF PMU	Market for Village Farmers Project Management Unit
PC	Provincial Coordinator
PFI	Partner Financial Institutions
PNG	Papua New Guinea
ToT	Training of Trainers
VFLI	Village Farmers Livelihood Improvement Training
WHP	Western Highlands Province

PART 1: Village Farmers Livelihood Improvement (VFLI) Training

CEFI conducted Village Farmers Livelihood Improvement Training (VFLIT) in Simbu, Jiwaka and WHP from month September to the first week of October. Below is the progress update

PROGRESS

- Successfully conducted refresher TOT for Cliffy Contractors for Western Highlands province on 31st July to 18th August, 2023
- Most participants are young and energetic and have formal education background and are eager to conduct trainings in Western Highlands Province.

Lead Partner	Female	Male	Total Attendance
Cliffy Contractors	8	9	17
FPDA	0	3	3
CEFI	1	0	1
Total	8	11	21

VFLIT Training Data Report (July to September 2023)

- CEFI's training partners (AMCS & Cliffy) successfully delivered VFLI retail training in Simba, Jiwaka and Western Highlands Province

	SIMBU	JIWAKA	WHP
Total # of HH Trained	128	995	256
# of Profiled HH Trained	41	164	45
# of Non-Profiled HH Trained	87	831	211
# of Venerable Trained	42	293	96
# of Males Trained	113	499	192
# of Females Trained	99	808	211
Total Heads Trained	204	1,600	499

Kelta Bulb Onion Growers and JOFFCS became agents of MiBank in Western Highlands and Jiwaka Province.

Farming Households who have attended the VFLI training have been advised to open bank account at the two agents and are progressing well.

CHALLENGES

- Non MVF Profiled Farmers attending Training but are already existing in the Value Chain.
- Few Lead Farmers rejecting Training expressing their disappointment over the MVF Project.
- Delay in Funding causing setbacks for Training thus running against time.
- Many non MVF farmers are yet to be profiled
- Some lead Farmers did not want to participate in the training due to some grievances they had against the MVF Project particularly around the disbursement of seed and grant money.



PART 2: ENGAGEMENT OF FINANCIAL INSTITUTIONS

During this period AFC significantly scaled back on their involvement in the project sighting issues relating to the non-payment of their invoices. What is provided below is what AFC is submitted in their report.

1. Activities Performed

1.1. Consultant Missions

No consultant mission was performed in the third quarter of the year 2023.

1.2. MiBank Piloting Update

Lending to the farmers

As of the 30th of September 2023, 123 loans were disbursed in the amount of 1,157,396.40 Kina and some pending approval. Refer to Annex 1 Milbank's MVF Loan Disbursement Report.

Of the 123 loans disbursed, 64 are profiled farmers and 59 are non-profiled farmers.

Also of the 123 farmers, 60 are males and 63 are females.

Arrears

Lead Partners and lead farmers are being contacted to advice their farmers to pay up.

Grace period

During the discussion, it was noted that there is no configuration for grace period or balloon repayment in the MiBank IT System. Meaning that, once a loan is disbursed, the repayment (interest and principal) due date for all MiBank loans start from the date of disbursement. Because of this, the Agri loan grace period of 3 months is manually done. However, it was agreed with MiBank, and it is stated in product description, that the repayments of the main amount will be bullet at the end of the term of

the loan. Interest is paid on monthly basis. The absence of grace period might lead to the delays of the repayment as farmers need time to grow their harvest and to sell it.

Agent Banking

Refer to Annex 3 for MiBank's Agent transaction volume report.

Paks Supplies Limited (Jim Kuk) is doing well in terms of opening accounts and volume of transactions. Organic Farm Fresh (John Beiye) Agent is Blocked due to no activity.

Due to non-payment of AFC invoices the agent banking assignments are on hold. In case AFC will receive the payment of invoices starting from 2021, AFC agent banking expert Mr. Vladislav Nimerenco resumes his work on the topic.

1.3. Nambawan Savings & Loans Society (NSLS)

Meetings

NSLS are looking to start lending in the fourth quarter of 2023.

NSLS Pilot Plans

When NSLS begin piloting, the pilot product will be in Goroka.

1.4. Other PFIs Update

BSP Financial Group Limited, despite signed MoU, does not show the interest in the program so far.

Women's Micro Bank, despite signed MoU, does not show the interest in the program so far.

East New Britain Savings & Loans Society – some interest showed.

People's Micro Bank – due to unresolved management changes did not join so far.

NASFUND Contributors Savings & Loans Society – limited interest showed.

2. Status of project implementation and deliverables

Activities	2021				2022				2023				24	Status, notes
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Task 0: Inception phase														
Kick-off meeting, inception report	W													
Task 1: Due diligence and selection of the financial institutions														
1.1. Develop information package for interested FIs		R												
1.2. Announce programme and inform FIs														
1.3. Define FIs' due diligence criteria and checklist		R												
1.4. Present FIs' due diligence criterias to CEFI and PMU for approval		R												
1.5. Preselection (shortlisting) of FIs by CEFI and PMU														
1.6. Conduct due diligence of interested FIs		R	R											
1.7. Present due diligence results to CEFI and PMU for approval			R											
1.8. Recommend of up to six FIs for the program			R											
1.9. Final selection of up to six FIs by CEFI and the Steering Committee			R											
1.10. Draft the MoU template to be concluded between PFIs and CEFI			R											
1.11. Sign MoU between CEFI and selected PFIs (conduct signing ceremony)			R											
1.12. Implement 1.1.-1.11. with later selected 3 FIs				R	R									
Task 2: Preparation of 3 year institutional development plan (business plan)														
2.1. Discuss current business strategy with PFIs			W											
2.2. Conduct market assesement														
2.3. Conduct planning sessions with each PFI on institutional development			W	W										
2.4. Prepare 3-years business plans for each PFI				R										
2.5. Implement 2.1.-2.4. with later selected 3 PFIs					R	R								
Task 3: PFIs capacity building needs assessment and preparation of capacity building plan														
3.1. Conduct Capacity Building Needs Assessment (CBNA) of each PFI														
3.2. Present CBNA results to PFIs and CEFI/ PMU				R										
3.3. Draft capacity building and TA plan for each institution				R	R									
3.4. Implement 3.1.-3.3. with later selected 3 PFIs						R		R						
Task 4: Improvement of outreach														
4.1. Improve/ implement network of agents														
4.2. Support PFIs in introducing mobile money applications, digital payments, interconnectivity with agents and points of services														
4.3. Support PFIs in implementation of other digital financial services														
4.4. Support PFIs to organise point of services to people with a low degree of														
4.5. Implement marketing measures foreseen in institutional development plan														
4.6. Implement steps 4.1.-4.5. with later selected PFIs														
Task 5: Implementation of new products and services at each PFI														
5.1. Design new lending for agro-value chain finance products														
5.2. Review, update and/or design new lending products														
5.3. Review, update and/or design new savings products														
5.4. Identify and establish instruments aiming at mitigating credit risk														
5.5. Update lending policies and procedures														
5.6. Implement (join) Risk Sharing Facility mechanism														
5.7. Implement other measures foreseen in institutional development plan														
5.8. Implement steps 5.1.-5.7. with later selected PFIs														
Task 6: Implementation of capacity building plan														
6.1. Draft training program for each PFI, based on CBNA & institutional development plan					R									
6.2. Draft training material and provide training on agriculture finance						W								
6.3. Draft training material and provide training on marketing and exposure							W	W						
6.4. Draft training material and provide training on credit risk management							W	W						
6.5. Draft training material and provide training on internal control								W						
6.6. Draft training material and provide training on other topics foreseen in CBNA and institutional development plan of PFIs								W	W					
6.7. Implement steps 6.1.-6.6. with later selected PFIs									W	W	W	W		
Task 7: Reporting														
7.1. Inception Report	R													
7.2. Monthly Reports		R	R	R	R	R	R	R	R	R	R	R	R	
7.3. Quarterly Progress Reports		R	R	R	R	R	R	R	R	R	R	R	R	
7.4. Due diligence reports (9 FIs)		R	R	R	R									
7.5. Development plans (9 FIs)				R	R	R								
7.6. TA plans (9 FIs)				R			R		R					
7.7. Draft Final Report													R	
7.8. Final Report													R	

■ = Activity, W = workshop/ training, R = report

□ - not started ■ - in progress
 ■ - achieved ■ - delayed

3. Status of project indicators

Quantitative indicators*	Baseline, actual results 31/12/2021)	Actual results 30/09/2023	Change, %	Target 31/12/2023
Number of agriculture loans, farmers	0	123	-	+25% first year +15% second year +15% third year
Volume of agriculture loans, farmers, Kina	0	1.631.404	n/a	
Number of agriculture loans, MSMEs	0	4*	n/a	
Volume of agriculture loans, MSMEs	0	n/a	n/a	
Outstanding balance of agriculture loans (farmers and MSMEs)	0	863.380	n/a	
Number of deposit accounts	0	127**	n/a	+15% annually
Outstanding volume of deposits, Kina	0	241,400	n/a	
Number of agents	n/a	n/a	n/a	
PAR-30, %	n/a	1,8	n/a	
PAR-60, %	n/a	0	n/a	
PAR-90, %	n/a	0	n/a	
Average agriculture loan interest rate	n/a	24% annual	n/a	
Qualitative indicators				Fulfilment
1. Institutional development and Technical Assistance plan for each PFI is prepared				Yes
2. Improvements in each participating financial institution's capacities (credit screening capabilities, risk management capacities, etc.).				Yes
3. Improvements in agriculture sector, export capacity and increases in employment in sectors associated with the agriculture value chain.				Starting

* not confirmed

** shall be confirmed by CEFI

4. Constraints and Risks

The following table reviews the principal risks that were identified, the probability of their occurrence, the impact they are likely to have on the project results, as well as suggested risk mitigation measures - based on the accumulated experience from the first twenty-one months of implementation.

#	Risk	Probability (currently)	Impact	Mitigation Measures
1	Low interest, recognition or not enough commitment from the partner financial institutions	Medium	High	<ul style="list-style-type: none">Promote close communication and participation from all partner financial institutions through formal and informal meetings, constant communication
2	Not sufficient support and cooperation from the Governmental Institutions	Low	Medium	<ul style="list-style-type: none">Advise CEFI on thorough preparation of regular meetings with BPNG and FPDA.
3	Demand for agriculture loans	Medium	High	<ul style="list-style-type: none">No mitigation measures needed on influence of the market side, however, faster arrangements and technical assistance shall be done with PFIs in order to lounge the lending
4	Political and economic instability	Medium	High	<ul style="list-style-type: none">Political situation in Papua New Guinea is stable but there are social instabilities during the election period
6.	Non-payment for Consultant	Medium	High	<ul style="list-style-type: none">Discuss with PIU and IFAD and inquire to take necessary measures

In addition: PIU started selection of MVF Call II participants, however, the contracts are not signed. **Slow process of introduction of new MVF participants does not allow to expand agrilending scope.**

Despite lengthy discussions, **so far no single farmer received any agreed grant.**

5. COVID Impact

All restrictions related to COVID 19 are lifted.

6. Delay of the payment for the Consultant

AFC agriculture and Finance Consultants GmbH (AFC) on 12th January 2021 was contracted by CEFI/ MVF under MVF project to enhance the lending for agriculture sector and individual farmers in Papua New Guinea.

The following payments (in total 136.175 USD) were paid by CEFI in accordance to the above mentioned contract:

- Inception report, 5% of contract amount, 27.235 USD
- Submission of due diligence reports, 10% contract amount, 54.470 USD

- Submission of the PFIs plans, 10% contract amount, 54.470 USD

However, **no single quarterly invoice (27.235 USD per quarter) was paid** to AFC for the period 2021 II quarter – 2023 II quarter (9 quarters). Overall the un-paid to AFC amount is 245.115 USD.

Since March 2023 number of times in written we expressed our concern to CEFI, IFAD and PIU on consequences of non-payment of AFC invoices. In the letter dated 22/06/2023 AFC informed that due to non-funding AFC suspended international experts activities. However, we received no answer on the matter.

As the AFC invoices payment question is not resolved, we would like to inform we are suspending all AFC TA activities.

However, the payment of AFC invoices remains under CEFI/ IFAD/ MVF PIU liability, therefore we kindly ask to pay all due AFC invoices accordingly.

PART 3: Planned activities for the next three (3) months – October- December – 2023

Below is the list of planned activities that CEFI will embark on implementing in the next three (3) months as per the aide memoire

1) VILLAGE FARMERS LIVELIHOOD IMPROVEMENT TRAINING

- a) **Sign MOU with Gentrade Consultancy Services as CEFI Training Partner for EHP**
- b) **Finalise the selection of CEFI's training partner for Morobe Province.**
- c) **Resume training to complete the remaining households for Call 1 in WHP, Jiwaka and Simbu Province.**

1) ENGAGEMENT WITH FINANCIAL INSTITUTIONS

Under the Village Farmers Livelihoods Improvement Trainings below are the list of planned activities

Target for the next three (3) months – October to December 2023

The following are key tasks that are still outstanding for AFC to deliver as per the CEFI AFC Agreement

1) Development of agents networks

MVF PMU/The Project will partly finance the training costs of these agents and will decrease their operating costs. It will also co-finance any required mean of transportation for the agents;

2) Development of points of services

MVF PMU/The project will co-finance the construction/rehabilitation and equipment of these points of services, as well as decreasingly finance their operating costs;

3) Development of mobile money applications

In close collaboration with financial institutions and service providers, the project will co-finance the development of new applications (transfer of money from any mobile phone, interconnectivity with agents and points of services, loan application submission, payments to third parties; transformation of goods into money, deposits and loans ...) as well as co-finance related implementation (adaptation of the MIS and accounting systems) and operating costs (including users' training).

CEFI has indicated to AFC that the payment for the next invoice that AFC submits and the remaining invoices after that will be determined by the successful delivery of these outstanding tasks. Also for these invoices we will be expecting timesheets to be furnished to us in addition to the reports as these tasks are based on AFC rendering its "technical expertise". Furthermore, CEFI has advised AFC that these key deliverables should be delivered within the remaining life of the CEFI-AFC agreement.

AFC has expressed clearly that they are unable to proceed further if they are not paid.

Recommendations & Way forward

Based on the report above we hereby provide the following recommendations to be considered by relevant parties. The recommendations are broken into two (2) parts. The first part contains recommendations with regards to the Village Farmers Livelihood Improvement Training and the second part contains recommendations for the Engagement with Financial Institutions

1) Recommendations regarding the Village Farmers Livelihood Improvement Training

- **MVF M&E to capture those non-profiled farmers during the training by either equipping the trainers with necessary template and/or task the lead farmer.**
- **Inform lead farmers to value VFLI Training since it's a lifetime skill compared to the Project which has a life span.**
- **MVF PMU to release funds on a timely manner to CEFI in order to complete the profiled HH yet to be trained to be trained for Call 1.**
- **MVF PMU to address lead farmers' grievances over delays in the disbursement of seed and grant money.**

2) Recommendations regarding the engagement with Financial Institutions

- **MVF PMU to urgently conduct the Mibank Agri loan pilot assessment prior to the mid-term review**
- **MVF PMU/IFAD to urgently address AFC's outstanding invoice for the period 2021 to 1st quarter 2023.**
- **MVF PMU to urgently disburse the grant to MiBank for MVF Farmers who have already secured loans from the bank**

ANNEX 1: Summary Financial Statement for the 3rd Quarter of 2023

INCOME AND EXPENDITURE SUMMARY

FOR MVF (CEFI)

FOR QUARTER THREE (AUGUST-OCTOBER) 2023

Particulars	31 Aug 2023	30 Sep 2023	31 Oct 2023	TOTAL
INCOME				
Fund Income	253,260.00	-	-	253,260.00
				-
Total Income	253,260.00	-	-	253,260.00
EXPENSES				
Hire Car Expense		31,980.00	600.00	32,580.00
Consultancy (AFC)				-
Communication expenses	55.00	55.00	55.00	165.00
Office		K100.00		100.00
Other employer expenses				-
Software (MYOB)	1,485.00	-	-	1,485.00
Salaries and wages	19,590.12	23,590.12	19,590.12	62,770.36
Superannuation	1,386.08	1,386.08	1,386.08	4,158.24
Travel & accommodation (trainings/workshops)	10,787.80	27,900.00	1,666.30	40,354.10
Workshops	14,605.00	98,638.00	52,811.00	166,054.00
Total Expenses	47,909.00	183,649.20	76,108.50	307,666.70
FUND BALANCE	205,351.00	- 183,649.20	- 76,108.50	- 54,406.70

Note:

Accrued Expenses are (Liability) are not recorded above.

1 Cliffy Contractors Limited	181, 940
2 Ambumangre Micro Scheme	91, 960
3 AFC Invoices (estimate)	886, 130.01
4 CEFI monthly Overhead Expenses	383, 653.62
5 FPDA Rental	78, 780
TOTAL	K 1, 622, 463.63

3rd Quarter 2023 Photos

